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FARMERS' BULLETIN 1144
UNITED STATES DEPARTMENT OF AGRICULTURE

COOPERATIVE MARKETING



THE importance of farmers' cooperative organizations as agencies for improving marketing methods is gaining rapid recognition at the present time. The existence of at least 14,000 farmers' buying and selling associations in the United States shows clearly that American farmers appreciate the value of organized effort in effecting savings and improving service in the marketing of their products.

This bulletin gives suggestions for organizing cooperative marketing associations.

Contribution from the Bureau of Markets

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Washington, D. C.

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COOPERATIVE MARKETING.

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PURPOSE AND POSSIBILITIES OF COOPERATIVE MARKETING.

The faith which has been developed on the part of the American farmer in cooperation as a remedy for marketing difficulties has resulted from a realization of the need for united effort in solving common problems. The individual producer is unable to undertake many of the endeavors which are of vital importance to better and more economical marketing, but proper organization is supplying many communities with the means for carrying out work of this kind.

STANDARDIZATION OF PRODUCTS.

Standardization of the products grown in a community requires a common understanding and concerted action by the farmers of that community. By effective cooperation the farmers in a community producing potatoes for shipment can select a certain variety upon which to specialize. Standardization, however, is being carried further than this in many localities. The farmers not only have

agreed on varieties and kinds of products but have formed cooperative marketing associations to handle these products, with the result that they are placed upon the market after careful inspection and grading, so that they are of uniform quality and condition.

The farmer is frequently criticized for lack of attention to the uniformity and quality of his products. As an individual he is powerless to remedy this weakness. A multitude of other duties require his attention; he does not have an opportunity to become intimately acquainted with the demands of the trade; and his production is too limited to attract much attention, even though he uses a great deal of care in the handling and preparation for market of his products.

Cooperation has been of service in this way in the case of a group of cooperative cheese factories in Tillamook County, Oregon, which are united in an organization, having for one of its functions the standardization of the output of the factories belonging to it. The results achieved by potato growers on the Eastern Shore of Virginia, and by fruit growers in California and other sections indicate the possibilities of standardization by cooperative organization.

COMMUNITY PACKING.

Community packing is another important feature of many cooperative marketing associations handling certain products, such as fruits and vegetables. Community packing in charge of competent and disinterested men makes it possible to secure uniformity in grading and packing of the products of the members. Attractive labeling of the packages is an added feature in many instances.

Some of the larger cooperative marketing associations advertise the products of the members. Thus the California Fruit Growers' Exchange is able to advertise citrus fruits on a national scale at a comparatively small cost for each box of fruit handled. Advertising of anything except carefully graded products of uniform quality, of course, would not show much in the way of results. Special trade names and trade-marked brands in use by many growers' marketing organizations have become widely known and facilitate the sale of the products handled.

CROP AND MARKET INFORMATION.

Intelligent marketing is impossible without information concerning crop and market conditions. The average producer, however, lacks both the facilities and the time needed to obtain the most complete and reliable information of this nature. On that account he is placed at a disadvantage in marketing his products individually because the persons with whom he deals usually have more complete

COOPERATIVE MARKETING ORGANIZATIONS

Can Assist

in

Standardization

Improving Grading and Packing

Obtaining and Using Market Information

Developing Old Markets

Finding New Markets

Effecting Savings

Improving Service

Advertising

Buying Needed Supplies

information than he has. A cooperative marketing association controlling the products of a number of growers can employ experienced marketing men to obtain the necessary information and to sell the products to the best advantage.

BUILDING UP OUTLETS.

A cooperative organization handling the products of many growers is in a better position to establish and maintain outlets for these products than are the individual growers. An apple grower may produce his fruit with the greatest of care, but when it comes to marketing, his limited output does not command the attention which is given the larger volume handled by cooperative organizations. Well-established cooperative marketing enterprises have built up marketing connections and outlets which enable them to market their products advantageously.

PURCHASING SUPPLIES COOPERATIVELY.

Cooperative marketing associations frequently purchase supplies needed by their members. Many of the farmers' elevator companies not only handle grain but purchase for their patrons coal, lumber, twine, brick, flour, feed, oils, and other supplies. Fruit and vegetable marketing organizations in many instances buy cooperatively such supplies as fertilizers, spray materials, and packages. Marketing associations thus not only assist the farmers in disposing of their products, but are also of service in buying farm supplies which are needed by them.

WHEN SHOULD A COOPERATIVE MARKETING ORGANIZATION BE FORMED?

Cooperation is a remedy for many marketing difficulties, but it is a mistake to regard it as a cure for all ills. Like any other remedy, cooperative marketing should be used only in certain cases. Careful attention should be given to the local situation in a community where the formation of an association is under consideration, because local conditions have much to do with the chances which a cooperative organization has to succeed.

NECESSITY FOR ORGANIZATION.

The statement has been made and often repeated that a cooperative organization will not succeed unless it springs from necessity. The organization which is founded on dire need certainly has the best opportunity to succeed, and an organization for which there is no well-defined need is not likely to last very long. Farmers who are satisfied with the results secured without an organization do not

NECESSITY

*Is
A Good Foundation
For a Cooperative Organization
IF*

*The Farmers in Your Community Feel a Need
For an Organization
They Will
Be Interested in It
Will Unite with It
Will Support It*

A NEED

*For a Cooperative Marketing Organization
May Be the Result of
A Lack of Marketing Facilities
or
Unsatisfactory Marketing Facilities*

DOES

*Your Community
Need
An Organization?*

feel a real need for an association, and their support of it will probably not be active. Necessity for organization may arise from the lack of marketing facilities or from dissatisfaction with existing agencies.

Some organizations are brought into being as a result of an enthusiasm created by appeals to prejudice and by misconception. Such a foundation is not nearly so secure as one which is created by a well-recognized need for an organization. Successful cooperative marketing ventures usually come from a small beginning and are the result of gradual and permanent growth.

ATTITUDE TOWARD ORGANIZATION.

The characteristics and make-up of the local population should be considered in the formation of a cooperative marketing association. The farmers in some communities look upon cooperative activities with favor, and are good cooperators; in other communities they lack faith in this remedy. Questions of race and nationality are not without effect and deserve careful consideration in planning for a cooperative organization.

PRODUCTS AVAILABLE.

Particular attention should be given to the kinds of products available for a marketing organization. A community which produces a considerable quantity of one product or a few products offers better opportunities for cooperative marketing than one which raises small amounts of a large number of widely different products. An organization handling one of the principal products of the community is better situated than one to which the handling of odds and ends is delegated.

ESSENTIALS FOR SUCCESS.

Cooperative marketing produces results, not by means of any magical power, but by the application of united effort and good business to common problems. This fact points to the importance of observing carefully the requirements for success.

SUFFICIENT BUSINESS.

The need for having a sufficient volume of business to make the economical operation of an organization possible would seem to be so evident that no special mention of this point would be required. Many marketing associations, however, have been undertaken where this essential was lacking. Sometimes this has been brought about through the efforts of promoters who were more interested in organiz-

SUCCESS
in
COOPERATIVE MARKETING
Depends Upon
Obtaining
A SUFFICIENT VOLUME OF BUSINESS
Observing
COOPERATIVE PRINCIPLES
Employing
CAPABLE MANAGEMENT
Following
UP-TO-DATE BUSINESS METHODS
Having
LOYAL MEMBERS

ing the association than in its chances for permanent success. Thus, some communities have been encouraged to establish a cooperative creamery by persons interested in selling equipment, when the number of cows in the territory tributary to the creamery was entirely too small to support such an enterprise. It is not sufficient to find out the amount of products grown in the locality where organization is contemplated; the volume of business available is the important point.

COOPERATIVE PRINCIPLES.

Cooperative principles must be adhered to in the organization and operation of farmers' marketing associations. The farmers in a community can not be expected to have a vital interest in a marketing organization which is operated for the profit of and controlled by a few individuals. The term "cooperative" is often used very loosely, with the result that many persons do not have a well-defined idea of what a cooperative organization really is. The ordinary noncooperative business corporation is operated for the profit of the persons who are financially interested in it. Distribution of profits is made in accordance with money invested, and the voting power is regulated in the same manner. In a cooperative marketing organization each member usually has only one vote, so that one or a few members will not control its operations. It is conducted to render service and to effect savings for the members, and not to earn profits for distribution as dividends on money invested. A fair rate of interest is granted to the capital invested by the members and the balance of any surplus to be distributed is divided in accordance with patronage; that is, the amount of business transacted with the organization. The membership of a cooperative association is open to producers desiring to avail themselves of its facilities, and safeguards are created to prevent the ownership and control of the enterprise from falling into the hands of a few.

Many farmers' organizations have been organized on the non-cooperative plan. That the importance of the cooperative plan is now becoming generally recognized is evidenced by the fact that many noncooperative organizations are reorganizing and adopting cooperative principles. This is well illustrated by farmers' grain elevator companies, a large proportion of which have been organized along noncooperative lines, but many of which are now reorganizing and changing to the cooperative plan.

MANAGEMENT AND BUSINESS METHODS.

Able management is one of the most important requirements for success. Many organizations have had disastrous experiences with poor administration. The directors of a cooperative marketing asso-

THE GENERAL BUSINESS CORPORATION

*Is operated for profit.
Grants each share a vote.
Places no limit on numbers of shares an individual may own.
Distributes profits as dividends on capital stock.*

THE COOPERATIVE ORGANIZATION

*Is operated to effect savings.
Allows each member only one vote.
Usually limits the financial interest any one member may have in it.
Restricts return on invested capital to a fair rate of interest.
Divides any further surplus to be distributed in accordance with patronage.*

ciation should be broad-minded men who have the interests of the organization at heart. The business manager must be capable and be fitted for the position. Proper business methods go hand in hand with capable business management, and their importance must not be overlooked. Accurate accounting records are essential in order that complete information regarding the condition of the business may be available at all times. Frequent audits of the accounts of every cooperative organization by competent persons are of vital importance.

MEMBERSHIP LOYALTY.

A cooperative enterprise is directly dependent for its success upon the loyalty of the members and their interest in the organization. Lack of loyalty and interest on the part of the members has resulted in the downfall of many cooperative associations. Organizations founded upon a real desire of the members are less likely to suffer from lack of allegiance than those which have for their basis misconceptions and prejudice.

MEMBERSHIP CONTRACTS.

Contracts between the members and the organization whereby they agree to market certain products through it are vitally important in many instances, and especially in the case of associations engaged in the handling of perishable products. Specific agreements of this kind make it possible for the organization to plan intelligently for the handling of the business, because its management knows what products it will be called upon to market. Interests with which a cooperative marketing organization is competing sometimes offer temptations to the members in the form of higher prices for the purpose of breaking up the association and thereby eliminating this competition. Contracts which keep the members from yielding to temptations of this nature help the organization to survive these attacks.

The Michigan Potato Growers' Exchange, which was formed in 1918, has definite agreements with its members governing the sale of their potatoes. The California Fruit Growers' Exchange follows the same plan in its operations. Many other successful cooperative marketing organizations have demonstrated the value of members' contracts.

CONTRACTS PROTECT LOYAL MEMBERS.

Agreements binding the members to sell their products through the association in reality furnish a protection for the loyal members against the weakness of the other members whose allegiance is of less enduring quality. Some growers hesitate to sign contracts be-

CONTRACTS
Are Used
By
Many Cooperative Organizations
to
HOLD
Members Together
INSURE
Volume of Business
PERMIT
Management to Plan Intelligently
PROTECT
The Organization

cause they fail to realize that these agreements are for the best interests of their own organization, and, consequently, for their own benefit. A member who has confidence in his organization and intends to be loyal to it should have no real objection to placing himself on record by signing a contract which binds him to market certain products through the organization. A grower who lacks this confidence will not be a strong supporter of the enterprise, and one who intends to be disloyal to his organization is a dangerous enemy.

POOLING SALES.

The pooling of products sold through cooperative organizations is an important feature. By pooling is meant averaging the returns received for products sold during a certain period, or for certain shipments, so that each grower having products of the same grade receives the same price. This method of operation protects the individual member from loss because of unfavorable market conditions of a temporary nature. The following instance shows how failure to adopt a pooling system may result in an injustice to some members. A potato association shipped out two cars of potatoes on the same day. One car found a ready market, while the other one was sold at a considerably lower price, with the result that the growers having potatoes in the second car received less than the others through no fault of their own. Dissatisfaction naturally arose, and the manager experienced a great deal of difficulty in explaining the matter to the satisfaction of the growers. The success of a pooling system is dependent upon the observance of uniform and effective grading of the products.

Some farmers' marketing organizations, especially grain elevator companies, purchase the members' products outright. Conditions and practices in grain marketing make such a plan feasible, but organizations handling other products usually find it to their advantage to pool shipments and await returns before making payments to the growers. This method relieves the association of speculative risks, the avoidance of which is highly desirable. Cooperative creameries, which prorate to the patrons monthly, in accordance with the amount of butterfat each has delivered the preceding month, the returns received for products sold less operating expenses, are good examples of pooling.

The length of the pooling periods varies with the products handled and the local conditions. Thus there are carlot, daily, weekly, semi-monthly, monthly, and seasonal pools.

LOYALTY

On the part of the members is essential for the success of an organization.

Disloyalty has caused the failure of more than one cooperative organization.

A sure way for the members of an organization to destroy the enterprise is to withhold their support from it.

Lack of loyalty is a weakness which can be remedied only by the members themselves.

A cooperative marketing organization can not produce results unless it is used.

USE YOUR ORGANIZATION

BUT

DO NOT ABUSE IT.

FORMS OF ORGANIZATION.

Farmers' cooperative marketing associations may be grouped according to their form of organization into two general classes, one including those formed with capital stock; the other, those formed on the nonstock plan. Membership in organizations belonging to the former class is represented by the ownership of one or more shares of stock, while in the latter, the members pay a membership fee and receive a membership certificate.

CAPITAL STOCK FORM.

The capital-stock form has been adopted by many farmers' marketing associations. It is the form commonly employed by farmers' elevator companies, and also for the most part by cooperative creameries. The capital-stock form is better known on account of the fact that most noncooperative business corporations are organized with capital stock. State legislation has also been a factor in encouraging the use of the capital-stock plan, as more States have cooperative laws providing for the incorporation of cooperative associations with capital stock than have cooperative laws making provisions for nonstock organizations.

While the capital-stock form is the most suitable for certain lines of cooperative business, it has some disadvantages. It is frequently difficult to restrict the transfer of shares of stock, so that it may be possible for persons antagonistic to the organization to gain membership through the purchase of stock. While cooperative organizations with capital stock allow only one vote to each member, and not a vote for each share, control over the organization may still fall into the hands of a few persons as a result of all the capital stock being bought up by them. There is also present a temptation to change the organization from a cooperative to a profit-making enterprise, especially if the control passes into the hands of persons who are not patrons.

NONSTOCK FORM.

While the nonstock form has not been so widely known as the one with capital stock, it is gaining in popularity with lines of business for which it is adapted. Live-stock shipping associations for the most part are formed without capital stock. Many fruit and vegetable associations, milk producers' organizations, egg circles, and other cooperative organizations have adopted the nonstock form of organization. Among the larger cooperative enterprises which have found the nonstock plan suitable may be mentioned the Michigan Potato Growers' Exchange, the Florida Citrus Exchange, the California Fruit Growers' Exchange, and the New England Milk Producers' Association.

The make-up of the membership of a nonstock organization is controlled more easily than in the case of organizations with capital stock, because membership certificates usually are not transferable. A nonstock organization operated on the nonprofit plan is less likely to depart from the cooperative plan than a capital-stock association.

FINANCING.

Every organization should plan its financing very carefully in order that the capital requirements may be taken care of fully. Cooperative associations have frequently been hampered in their operations because of a lack of adequate financing.

PERMANENT CAPITAL.

Capital which is to be used for providing buildings and other equipment is obtained from membership fees, cash advances by the members, or the sale of shares of capital stock. While it is true that some successful organizations have provided such equipment on borrowed capital, such a plan is not adapted to general use. If the growers are ready for an organization they usually are prepared to furnish all, or at least a large proportion of the needed capital.

EMERGENCY CAPITAL.

Many marketing organizations require a certain amount of capital for short periods. If the sale of shares of stock or the payment of membership fees does not supply all the money required for use in this way it may be borrowed from the members, from banks, or other outside sources. Individual promissory notes of the members given to the association in proportion to the amount of business each expects to transact through the organization may be employed by the association as collateral security in obtaining loans for this purpose. Thus the members of a potato-marketing association may be required to give notes varying in amounts in accordance with the acreage of potatoes grown by each. The members of some organizations have signed joint notes, which have been used in borrowing money. A joint note, however, should be avoided, because responsible signers may be required to pay more than their proportionate share if collections from some of the others are impossible. The practice of obtaining loans with the aid of the personal credit of the directors is unfair to the directors, because each member shares in the benefits and should carry his part of the burden.

HOW TO ORGANIZE.

The organization of a cooperative association should be worked out step by step in accordance with a definite plan in order that no important feature may be overlooked.

PRELIMINARY SURVEY.

When the formation of a cooperative marketing association comes up for consideration, it is advisable to make a preliminary survey of the local situation in order to find out whether local conditions are ripe for cooperative work. In view of the fact that organizations which are founded on necessity have the best chances for success, this survey should ascertain the need for an organization. The attitude of the farmers toward the proposed undertaking should be learned, and information should be obtained regarding the amount of business available. Some attention should be given to the existing agencies which the organization intends to replace or supplement, in order to note whether the service which they are rendering is satisfactory.

AROUSING INTEREST.

If the survey of the situation indicates that conditions are favorable, the leaders in the movement should take steps to arouse interest among the farmers and to arrange meetings at which the proposition may be discussed. Care must be observed in this work to avoid making impossible claims in favor of the venture, or stirring up ungrounded suspicion of or prejudice against existing methods. Not only should the advantages of organization be pointed out, but every effort should be made to acquaint those interested with the responsibilities of membership in such an association in order that they may be fully awake to the necessity of unfailing loyalty to it.

COMMITTEES.

The selection of committees for various lines of work is highly desirable, as this places the responsibility for results on certain persons, and distributes the work properly among a number of individuals. One committee may make a study of the local situation and develop a plan of organization suited to the needs of the locality. Another committee can be of service in deciding upon and carrying out plans for arousing interest in the movement. After an organization has been decided upon, a committee on by-laws should be designated, and, also, a membership committee to obtain as large a membership as possible. Other committees may be designated to take care of special lines of work requiring attention.

SECURING INFORMATION.

Farmers undertaking the formation of a cooperative marketing association find it helpful to obtain all information possible concerning other organizations of a similar nature. There may be such organizations at neighboring points, and a committee can easily arrange to visit them.

THE FARMERS OF A COMMUNITY

*Should be interested in an organization
Before
Its formation is undertaken.*

AROUSE INTEREST

*By
Holding meetings
Circulating printed information
Selecting a committee to canvass the community.*

DISCUSS

The proposition thoroughly.

DO NOT

Claim impossible results for the venture.

EMPHASIZE

*The need for an effective organization and the
importance of united support.*

Bulletins relating to cooperative marketing published by the United States Department of Agriculture, State agricultural colleges and State departments, articles in farm papers, and well-known books on cooperation will be found helpful. Personal assistance from the United States Department of Agriculture, State agricultural colleges, and State departments of agriculture frequently can be secured in organizing an association, and should be sought whenever such assistance seems necessary for the perfection of an effective organization.

CONSIDERING PLANS.

After the farmers have had opportunity to give careful thought to the proposition a meeting may be called for the purpose of arriving at a final decision regarding the organization. If a definite plan and a set of by-laws have been prepared, they may be taken up for consideration at this meeting, in case organization is decided upon, otherwise another meeting should be held as soon as these have been prepared. The plan and the by-laws should be worked out very carefully in order that the results may suit local requirements. A full and free discussion of all important points is desirable in order that there may be no misunderstanding of any features of the plan.

BY-LAWS.¹

The by-laws of a cooperative organization should cover more than a few well-known rules. They should outline the working plan of the organization. Too frequently insufficient attention is given to the preparation of the by-laws because their importance is not appreciated fully.

CONTENTS OF BY-LAWS.

Among the points which the by-laws should cover may be mentioned a statement of the objects of the organization; an outline of membership requirements; provisions relating to meetings, quorum, and the fiscal year; election of directors and officers, their powers, duties, and removal; the business manager, his powers and duties; methods of financing the organization; the grading, inspection, and handling of products; members' contracts; the rights, duties, and responsibilities of members; the method of meeting the expenses of operation; the manner of distributing savings; the auditing of the books; the procedure to be followed in amending the by-laws; and any other points of importance.

¹ A suggested form of by-laws may be obtained from the Bureau of Markets, U. S. Department of Agriculture, Washington, D. C.

BY-LAWS
Are Very Important
DRAFT
Them Very Carefully
ADAPT
Them to Local Conditions
DISCUSS
Them Fully, Section by Section
ADOPT
Them by a Membership Vote

ADOPTING THE BY-LAWS.

When the by-laws are up for consideration it is advisable to take them up by sections so that a clear idea of the purpose and contents of each section may be obtained. Each section may be voted on separately, and after the entire by-laws have been taken up in this manner a vote may be taken on the adoption of the by-laws as a whole.

Because of the part played by the by-laws in outlining the plan of organization, they are usually adopted at a meeting of the prospective members before the association has been organized. It is, of course, necessary to adopt the by-laws again after incorporating, but when they have been passed on by the prospective members in the manner suggested above, they may be adopted as the by-laws of the association by a vote of the incorporators or the members in the same form as when they were first adopted, unless some change is necessary to make them harmonize with law.

INCORPORATION.

Cooperative marketing organizations may be voluntary unincorporated associations, or they may be incorporated. Most business organizations are incorporated, and this is advisable in the case of cooperative marketing associations. Incorporation gives the organization a definite legal standing, and usually limits the liability of the members. An unincorporated association does not have so desirable a legal status as that of an incorporated organization, is unable to bring suit except in the names of the individual members, and the liability of the members is not limited.

HOW EFFECTED.

Incorporation is provided for by State law. All States have some form of incorporation laws, but not all States have cooperative laws; that is, special laws for the incorporation of cooperative associations. In States where there is no cooperative law incorporation must be effected under the laws designed for the incorporation of ordinary business corporations. Unfortunately, however, such laws usually do not provide for the cooperative method of operation.

More than two-thirds of the States have special laws for the incorporation of cooperative associations,¹ and the number is gradually increasing. Some of these laws provide for organizations

¹ Among States having cooperative laws may be mentioned: Alabama, California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Kansas, Louisiana, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, Washington, Wisconsin, Wyoming.

formed with capital stock, while others provide for the nonstock form. In the several States where provisions have been made for the incorporation of both capital stock and nonstock associations the law best suited to the needs of the organization should be selected as the one under which to incorporate.

The filing of articles of association, or articles of incorporation, is one of the first steps in incorporation. The contents of the articles of incorporation should harmonize with the requirements of State laws. It is advisable to include in these articles the important points to be covered in the by-laws. Competent legal assistance is of value in the preparation of the articles of incorporation. If a set of by-laws has been passed upon, this will be helpful to the incorporators and their legal counsel in drawing up the articles.

When the articles of incorporation have been prepared they are signed and acknowledged by the persons acting as incorporators and are usually filed with some official or officials designated by the incorporation laws. An incorporation fee also must be paid. The exact procedure and the amount of the filing fees vary in the different States, consequently it is impossible to supply detailed information in a general statement.

INCORPORATORS.

In case a temporary board of directors is selected at the time organization is decided upon, the persons on this board may act as the incorporators of the organization, or a committee may be designated for this work. The number of incorporators required is fixed by the incorporation laws. In a few States the minimum number is greater than the usual number of directors, and in such case provision will have to be made accordingly. All possible information with reference to the incorporation laws of the State should be obtained as early as possible, as the provisions of the law should be clearly understood when the plan of organization is decided upon. Such information is of importance to the incorporators in carrying out their duties.

LEGAL ADVICE.

A competent attorney can be of considerable service in supplying necessary information and in assisting in the drawing up of the necessary papers. If possible, an attorney well acquainted with the principles of and legislation relating to cooperative organizations should be secured. Many competent attorneys have had no occasion to prepare plans for such enterprises, consequently care should be taken that the cooperative features of the plan may not be overlooked.

SELECTION AND QUALIFICATIONS OF THE MANAGEMENT.

Good management is such an important essential for success in cooperative marketing organizations that special thought should be given to the selection of properly qualified persons for this work. General supervision over the activities of an organization is placed in the hands of the board of directors, which in turn selects the business manager, who is in immediate charge of the work of the organization under its direction.

DIRECTORS AND OFFICERS.

The board of directors of an association is elected by the members from among their own number. The men selected for positions of this kind ought to understand the operation of the organization and be fully acquainted with its needs. The directors should have the best interests of the community at heart and possess the confidence of the members.

One plan which has gained considerable popularity among cooperative associations is that of having the directors hold office for three years, one-third of them being elected each year. This method tends to prevent any radical changes in policy which might result if an entirely new set of directors were selected every year. Recall of directors is made possible with many organizations, so that unsuitable directors may be removed without waiting for the expiration of their terms of office.

Attention may be given to the advisability of having the various sections of a community represented on the board of directors. The size of the board, however, should not be so large as to make it unwieldy. Usually five, seven, or nine directors constitute the board. If the number is large an executive committee made up of a smaller number may be designated by the board to carry out certain of its functions.

Unless the law under which the organization is incorporated provides that the members shall elect the officers, it is believed preferable to let the board of directors select them, as the latter plan is likely to result in a more smoothly working body. The officers, as a rule, are members of the board, although in some instances the position of secretary-treasurer may be filled by the appointment of a non-member in order to obtain the services of an outsider who has special qualifications for the place.

THE MANAGER

*is the
Keystone
of the Organization*

EMPLOY

A Competent Manager

SELECT

A Man with Proper Qualifications

PAY

A Salary Which Will Attract Ability

GIVE

Him Authority

SUPPORT

His Work

THE MANAGER.

The manager holds a very important position in a cooperative association, as he is in direct charge of its operations. The board of directors employ the manager, and in selecting him they should keep in mind the qualifications required to fit a man for this position. Relationship, friendship, or membership in the organization should have no place in deciding upon the manager, although, unfortunately, these factors are only too often among the main considerations.

The manager should be experienced in the marketing of the products to be handled. He must possess tact and good judgment, and be honest and above suspicion. Much depends upon his ability to meet the members and the trade with which the organization deals, and to retain their confidence.

Some associations allow questions of salary to play too large a part in hiring a manager. It is well to remember that the applicant who is willing to accept the place at the smallest salary often is not the cheapest in the long run. Mistakes in management may result in losses much larger than the difference between the salary of an inefficient manager and that of a capable one.

Broad powers should be given the manager by the board of directors, in order that he may have an opportunity to work out complete plans for the organization and put them into operation. Under the general supervision of the board of directors, the manager should have authority to employ and direct the necessary help. He should have charge of the grading, handling, and marketing of the products sold through the organization. A manager who has been selected because of fitness for the place can be granted freedom of action without danger. No other kind of manager should be employed by a cooperative organization.

BONDING.

The board of directors should require all officers and employees charged by the association with responsibility for the custody of any of its funds or property to give a bond for the protection of the organization. In view of the fact that the purpose of such bonds is to protect the organization, the cost of procuring them may be paid by the association.

DUTIES OF THE MEMBERS.

Observance by the members of their duty toward the organization is essential to the success of any cooperative venture. The members must never forget that the organization is theirs, and that they are an important part of it. If they fail to give their patronage to it and to lend it their moral support, the result will be failure.

Loyalty on the part of the members is the most important requirement for success. Producers who unite with an organization and then fail to support it have themselves to blame if the venture does not succeed. The member who neglects to market his products through an organization whenever it is to his temporary advantage to sell outside belongs to a class which has wrecked more than one cooperative undertaking. The producer who is willing to stay outside of the organization and reap the benefits without supporting it makes his neighbors carry his share of the load.

COOPERATIVE MARKETING AND EXISTING ORGANIZATIONS.

Many communities which take up for consideration cooperative marketing have an existing organization formed for some other purposes. This organization may be a farmers' club, or social or educational society. Some persons are strong advocates of the use of such associations for cooperative marketing purposes in place of organizing a special organization for this purpose. The fact must not be overlooked, however, that the machinery provided must be suited to the work in hand. Usually associations for productive or social purposes are not at all adapted to marketing activities. To call upon them to perform this work will hamper the activities for which they are designed and produce unsatisfactory results in marketing.

Organizations of the kind indicated, however, can and do serve a very useful purpose in connection with the formation of cooperative marketing associations, because the meetings of such associations furnish an excellent place for the discussion of plans. These organizations also serve to educate their members in organized effort, and this is a valuable preliminary step to cooperative marketing activities.

